



**KeySpan Energy Delivery**  
52 Second Avenue  
Waltham, MA 02451  
Tel 781 466-5131  
Fax 781 290-4965  
E-mail [pcrowe@keyspanenergy.com](mailto:pcrowe@keyspanenergy.com)

**Patricia Crowe**  
Regulatory Counsel

April 8, 2004

**Via Federal Express**

Mary L. Cottrell, Secretary  
Department of Telecommunications and Energy One South Station, 2nd  
Floor Boston, MA 02110

Re: Colonial Gas Company, D.T.E. 03-90 Responses to DTE's  
Record Requests

Dear Ms. Cottrell:

Please find enclosed Colonial Gas Company d/b/a KeySpan Energy Delivery's Responses to Record Requests D.T.E. 1 through 7 and a Draft Order in the above-entitled matter. Per John R. Craven's instructions, six copies of these responses are being sent directly to him as well as a floppy disk with the Draft Order.

Very truly yours,

A handwritten signature in black ink that reads "Patricia Crowe". The signature is fluid and cursive, with the first name "Patricia" being more prominent than the last name "Crowe".

Patricia Crowe

PC:ca  
Enclosure

cc: John R. Craven, Hearing Officer (6 copies)

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

DEPARTMENT RECORD REQUESTS TO  
KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 03-90

Respondent: Ann Leary

Record Request - 1

- Q. Calculate the ROE for 2002 without including any exogenous costs.
- A. Please see attached calculation.

Colonial Gas Company  
Return on Average Common Equity  
(000 omitted)

	2002
<u>Net Income Calculation:</u>	
Utility Operating Income DTE page 10, Line 18	33,839
Less Exogenous Costs (1,281)	
Net of Tax Effect 384	
	(897)
Utility Income less Exogenous Costs	32,942
Add: Other Income DTE page 10, Line 25	
Add: Other Income Deductions DTE page 10, Line 30	
Add: Amortization of Acquisition Premium	
Add: service quality penalties	
Less: Allocated Interest(See Below)	(25,193)
Net Utility Income Available for Common Shareholders	7,749
<u>Calculation of Allocated Interest:</u>	
DTE page 10, Lines 39 and 48	25,198
DTE page 8, Line 2	835,426
DTE page 8, Line 8	387
Total	835,813
of Line 2 to Total	0.9995
DTE page 8, line 4 (Capital Leases)	(216)
Total	835,597
% of Line 2 to Total + Capital Leases	0.9998
Allocated Interest(Line 27 above times Line 38)	25.193
<u>Total Utility Common Equity:</u>	
Proprietary Capital -DTE page 9,Line 13	266,174
Less effect of exogenous costs	897
Adjusted Proprietary Capital	265,277
Less preferred: DTE Page 9, Line 4	
Less: Unamortized Acquisition Premium	(377,292)
Add back Push down Debt(NOTE A)	214,000
Total Equity	101,985
% Above	0.9998
Ending Utility Common Equity	101,964
Beginning Utility Common Equity	92,110
Total	194,074
Average Common Equity	97,037
NET UTILITY INCOME DIVIDED BY AVERAGE EQUITY	7.99%

Note A: The Department letter dated April 3, 2003 did not consider adding back the unamortized acquisition premium supported by the push-down debt. Without this add back, equity would be negative. Therefore we have deducted only the equity portion from the unamortized acquisition premium.

Note B: The Company has interpreted footnote 6 in the Department's letter of April 3, 2003 to mean that the equity will be multiplied times the ratio of the utility plant to the total of utility plant and other property. The Company believes that the Department intended gas companies to exclude amounts not supported by proprietary capital, which would result in the exclusion of capital leases from proprietary capital.

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

DEPARTMENT RECORD REQUESTS TO  
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D.T.E. 03-90

Respondent: Ann Leary

Record Request - 2

Q. Using the format in the Company's response to DTE-1-1, explain the calculation of the ROEs of 3.22 and 8.87. Include a column to show any variance and a column with a narrative explanation of any variance.

A. Please see attachment.

Colonial Gas Company  
Return on Average Common Equity

	(000 omitted)	Prior to April 2003 PTE Letter	Variance Explanation
	2002		
<u>Net Income Calculation:</u>			
Utility Operating Income DTE page 10, Line 18	33,839	33,839	
Add: Other Income DTE page 10, Line 25		111	(111) See Note A
Add: Other Income Deductions DTE page 10, Line 30		(119)	119 See Note A
Add: Amortization of Acquisition Premium			
Add: service quality penalties			
Less: Allocated Interest (See Below)	(25,193)	(25,198)	5 See Note A
Net Utility Insure Available for Common Shareholders	8,646	8,633	13
<u>Calculation of Allocated Interest:</u>			
DTE page 10, Lines 39 and 48	25,198		
DTE page 8, Line 2	835,426		
DTE page 8, Line 8	387		
Total	835,813		
% of Line 2 to Total	0.9995		
DTE page 8, line 4 (Capital Leases)	(216)		
Total	835,597		
of Line 2 to Total + Capital Leases	0.9998		
Allocated interest (Line 27 above times Line 38)	25,193		
<u>Total Utility common Equity:</u>			
Proprietary Capital - DTE page 9, Line 13	266,174	266,174	
Less preferred: DTE Page 9, Line 4			
Less: Unamortized Acquisition Premium	(377,292)		(377,292) See Note B
Add back: Push down Debt (NOTE A)	214,000		214,000 See Note C
Total Equity	102,882	266,174	(163,292)
Above	0.9998	1.0000	
Ending Utility Common Equity	102,861	266,174	(163,313)
Beginning Utility Common Equity	92,110	269,421	(177,311)
Total	194,971	535,595	
Average Common Equity	97,485	267,798	(170,312)
NET UTILITY INCOME DIVIDED BY AVERAGE EQUITY	8.87%	3.22%	5.65%

NOTE A Per the letter from the Department dated April 3, 2003, Page 3

Restated, Total Utility Operating Income for gas distribution companies shall be as follows: Annual Return, Page 10, line 18; plus any amortization of acquisition premium included in computing Total Utility Operating Income; plus any Service Quality penalties included in computing Total Utility Operating income; minus the sum of page 10, line 39 and line 48, which is multiplied by the ratio of page 8, line 2 to the sum of line 2 and line 8.

NOTE B Per the letter from the Department dated April 3, 2003, Page 3

Restated, Total Utility Common Equity for gas distribution companies is as follows: Annual Return, page 9, line 13; minus the sum of page 9, line 4 and any portion of line 6 applicable to preferred stock minus unamortized acquisition premium, if applicable; multiplied by the ratio of page 110, line 4, reduced by any amounts not supported by Total Proprietary Capital, in the sum of line 4 and line 22, reduced by any amounts not supported by Total Proprietary Capital.

The Company has interpreted footnote 6 in the Department's letter of April 3, 2003 to mean that the equity will be multiplied times the ratio of the utility plant to the total of utility plant and other property. The Company believes that the Department intended gas companies to exclude amounts not supported by proprietary capital, which would result in the exclusion of capital leases from proprietary capital.

NOTE C: The Department letter dated April 3, 2003 did not consider adding back the unamortized acquisition premium supported by the pushdown debt. Without this add back equity would be negative. Therefore we have deducted only the equity portion from the unamortized acquisition premium.

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

DEPARTMENT RECORD REQUESTS TO  
KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 03-90

Respondent: Ann Leary

Record Request - 3

- Q. How does Colonial define push-down debt as used in the calculation of the ROE.
- A. Push-down debt as used in the calculation of the ROE represents that portion of the unamortized acquisition premium funded by borrowings from KeySpan Corporation.
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COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

DEPARTMENT RECORD REQUESTS TO  
KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 03-90

Respondent: Jennifer Bedard

Record Request - 4

- Q. Indicate the number of Residential and Small and Medium C&I measures removed from this filing due to measure lives expiring and state the number as a percent of the total number of measures.
- A. See attached.
-

**DTE 03-90**

Attachment RR-4 page 1 of 3

**RESIDENTIAL**

<b>MEASURE</b>	<b>CAPE</b>			<b>LOWELL</b>		
	<b>QUANTITY INSTALLED</b>	<b>REMOVED MEASURES</b>		<b>QUANTITY INSTALLED</b>	<b>REMOVED MEASURES</b>	
	<b>FROM D.T.E 02-58 FILING</b>	<b>LIFE EXPIRED</b>	<i>Percent</i>	<b>FROM D.T.E. 02-58 FILING</b>	<b>LIFE EXPIRED</b>	<i>Percent</i>
ATTIC INSULATION (1)	1,138,390	0	NA	869,884	0	NA
WALL INSULATION (1)	146,111	0	NA	1,289,345	0	NA
ATTIC & WALL INSULATION (1)	745,629	0	NA	1,348,852	0	NA
CLOCK THERMOSTAT	2,027	363	18%	3,699	466	13%
THERMOSTAT & VENT DAMPER	795	0	NA	121	0	NA
TANK WRAP	6,092	1,770	29%	12,160	1,972	16%
SHOWERHEAD	6,394	1,774	28%	10,121	1,711	17%
AERATOR	7,347	2,512	34%	14,400	2,337	16%
DUCT INSULATION	1,029	187	18%	879	104	12%
PIPE INSULATION	814	157	19%	1,225	178	15%
CRAWL SPACE INSULATION	589	0	NA	393	0	NA
VENT DAMPER	301	131	44%	47	3	6%
FLOOR INSULATION	1,473	0	NA	NA	NA	NA
BOILER RESET	NA	NA	NA	610	0	NA

(1) Attic and Wall Insulation, as individual measures and as combined measures, are counted using square footage installed - not as individual installations.

The other measures listed above are counted as individual installations. Therefore, it is not possible to determine the number of measures expired as a percentage of the total of measures installed.



**CITE 03-90**

Attachment RR-4 page 2 of 3  
SMALL C&I

MEASURE	CAPE			LOWELL		
	QUANTITY INSTALLED	MEASURES REMOVED		QUANTITY INSTALLED	MEASURES REMOVED	
	FROM D.T.E. 02-58 FILING (21	LIFE EXPIRED	Percent	FROM D.T.E 02-58 FILING (21	LIFE EXPIRED	Percent
ELECTRONIC PILOT	25	0	NA	70	0	NA
VENT DAMPER	13	0	NA	8	0	NA
BOILER TUNE UP	0	0	NA	0	0	NA
HOT WATER RESET	38	0	NA	40	0	NA
DESTRATIFICATION FAN	24	0	NA	54	0	NA
PIPE INSULATION	68	0	NA	68	0	NA
DUCT INSULATION	26	0	NA	30	0	NA
WALL INSULATION	55	0	NA	99	0	NA
FLOOR INSULATION	22	0	NA	38	0	NA
ROOF INSULATION	129	0	NA	217	0	NA
CAULK/WEATHERSTRIP	70	11	16%	81	41	51%
TANK WRAP	24	5	21%	30	18	60%
LOW FLOW UNITS	17	2	12%	9	5	56%
TOTAL	511	18	3.50%	744	226	30.40%

(2) Small C&I measures represented by number of customers who installed each measure

A total of 177 Medium C&I customers remain.

**DTE 03-90**

Attachment RR-4 page 3 of 3

**MEDIUM C&I**

2 Medium C&I customers were removed from the analysis because they each had a measure that expired.

*MEASURE* Customer 1- Caulk and Weatherstrip Customer 2 - Dock Seals

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DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

DEPARTMENT RECORD REQUESTS TO  
KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 03-90

Respondent: Ann Leary

Record Request - 5

- Q. Explain the calculation of the equity portion of the unamortized acquisition premium found in "Footnote A".
- A. The net adjustment to the total utility common equity represents the portion of the unamortized acquisition premium funded by equity.

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

DEPARTMENT RECORD REQUESTS TO  
KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 03-90

Respondent: Ann Leary

Record Request - 6

Q. Explain the differences between the ROE figures in Attachment A in this filing and the ROE figures in DTE 02-58 for 2002 and 2001.

A. The ROE for 2001 and 2002 found in Attachment A differ from the ROE for 2001 and 2002 in D.T.E. 02-58 as a result of a difference in the ending equity balance in 2001 and hence the beginning equity balance in 2002. In D.T.E. 02-58 the Company inadvertently excluded the "Other Comprehensive Income" of \$5,281,092 found on page 9 Line 11 of the Annual Return to the Department in its calculation of ending equity balance for 2001. In Attachment A of D.T.E. 03-90 the Company did include "Other Comprehensive Income" in the ending equity balance for 2001.

COMMONWEALTH OF MASSACHUSETTS  
DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

DEPARTMENT RECORD REQUESTS TO  
KEYSPAN ENERGY DELIVERY NEW ENGLAND

D.T.E. 03-90

Respondent: Ann Leary

Record Request - 7

Q. Provide Colonial's ROE for 2003.

A. Please see attached calculation.

Colonial Gas Company  
Return on Average Common Equity  
(000 omitted)

RR-DTE-7  
Attachment  
for

	2003	2003 Without Exogenous Cost
<b>Net Income Calculation</b>		
Utility Operating Income DTE page 10, Line 18	33,821	33,821
Less Exogenous Costs		(932)
Net of Tax Effect		280
Less Exogenous Costs net tax		(652)
Add: Other Income DTE page 10, Line 25	422	422
Add: Other Income Deductions DTE page 10, Line 30	(123)	(123)
Add: Amortization of Acquisition Premium		
Add: service quality penalties		
Less: Allocated Interest(See Below)	(24,032)	(24,032)
<b>Net Utility Income Available for Common Shareholders</b>	<b>10,088</b>	<b>9,435</b>
<b>Calculation of Allocated Interest:</b>		
DTE page 10, Lines 39 and 48	24,032	24,032
DTE page 8, Line 2	855,683	855,683
DTE page 8, Line 8	4	4
Total	855,686	855,686
% of Line 2 to Total	1.0000	1.0000
DTE page 8, line 4 (Capital Leases)		
Total	855,686	855,686
% of Line 2 to Total + Capital Leases	1.0000	1.0000
Allocated Interest(Line 27 above times Line 38)	24.032	24.032
<b>Total Utility Common Equity</b>		
Proprietary Capital - DTE page 9, Line 13	427,343	427,343
Less effect of exogenous costs		(652)
Adjusted Proprietary Capital		426,690
Less: <del>Preferred</del> DTE Page 9, Line 4		
Less: Unamortized Acquisition Premium	(377,292)	(377,292)
Add back: Push down Debt(NOTE A)	64,000	64,000
Total Equity	114,051	113,398
% Above	1.0000	1.0000
Ending Utility Common Equity	114,050	113,398
Beginning Utility Common Equity	102,861	102,861
Total	216,911	216,259
Average Common Equity	108,456	108,129
<b>NET UTILITY INCOME DIVIDED BY AVERAGE EQUITY</b>	<b>9.30%</b>	<b>8.73%</b>

Note A: The Department letter dated April 3, 2003 did not consider adding back the unamortized acquisition premium supported by the push-down debt. Without this add back, equity would be negative. Therefore we have deducted only the equity portion from the unamortized acquisition premium.

NOTE B: The Company has interpreted footnote 6 in the Department's letter of April 3, 2003 to mean that the equity will be multiplied times the ratio of the utility plant to the total of utility plant and other property. The Company believes that the Department intended gas companies to exclude amounts not supported by proprietary capital, which would result in the exclusion of capital leases from proprietary capital.